



BOARD OF TRADE

Investigation into the affairs of Allied Produce Company Limited and A. I. Levy (Holdings) Limited

Report by
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and
Mr. Alan P. Hughes, F.C.A.

*(Inspectors appointed by the Board of Trade
in accordance with the provisions of
Section 165(b) of the Companies Act, 1948)*

LONDON
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CONTENTS

<i>Paragraphs</i>		<i>Pages</i>
1-2	Appointments.	3
3-5	The connection.	3
6-17	The background and the people.	3
18	A handicap.	5
19-21	The negotiations.	6
22-32	The day of completion.	7
	The explanations:	
33-36	(i) Mr. Bieber.	10
37-39	(ii) Mr. Levy.	12
40	(iii) Mrs. Berry and Mr. Barron.	13
41-46	(iv) Mr. Stekel and Mr. Kraft.	13
47-50	(v) Mr. Machell.	15
51	(vi) Mr. Landau.	17
52-56	The secured loan.	18
57	The aftermath.	19
58-63	Conclusions.	20

APPENDICES

- A Issued share capital of Allied Produce Co. Ltd. and voting power attached thereto.
 Shares sold by Messrs. Stekel and Kraft to Mr. A. I. Levy.
- B Summary of bank accounts.
- C Summaries of the net assets of the group.

Appointments

1. We were appointed inspectors to investigate the affairs of Allied Produce Company Limited on the 20th day of January 1964 in the following terms:

The Board of Trade in pursuance of the powers conferred on them by Section 165(b) of the Companies Act, 1948, hereby appoint Mr. Leonard Caplan, q.c. of 2, Harcourt Buildings, Temple, London, E.C.4., and Mr. Alan Pickering Hughes, Chartered Accountant, of 53, New Broad Street, London, E.C.2., to act as inspectors to investigate the affairs of the above-named company and to report thereon in such manner as the board may direct.

2. On the 31st day of July 1964 we were similarly appointed to investigate the affairs of A. I. Levy (Holdings) Limited.

The Connection

3. The link connecting the two companies is Mr. Alfred Isaac Levy together with his activities in the year 1961. Mr. Levy was managing director, and held the controlling interest in the shares, of A. I. Levy (Holdings) Limited (hereinafter referred to as 'Levy Holdings').

On the 6th June 1961 he entered into a contract in writing with Mr. Edmund Stekel and Mr. Seymour Kraft to purchase their shares in Allied Produce Company Limited (hereinafter referred to as 'Allied Produce') which gave him the controlling interest in that company.

4. At an early stage of our investigation of the affairs of Allied Produce it became clear that it would be necessary to consider whether, in the course of carrying out that contract, there had been any infringement of section 54 (1) of the Companies Act, 1948, which provides that, subject to certain exceptions,

it shall not be lawful for a company to give, whether directly or indirectly, and whether by means of a loan, guarantee, the provision of security or otherwise, any financial assistance for the purpose of or in connection with a purchase made or to be made by any person of shares in the company

5. Circumstances came to light in the course of pursuing this matter which suggested that Levy Holdings, in transactions which it entered into with Allied Produce on the day that Mr. Levy completed his contract to purchase the shares of the latter company, had been party to an unlawful purpose whereby funds of Allied Produce were used to provide Mr. Levy with the means to pay for the shares. In consequence we were then appointed to investigate also the affairs of Levy Holdings.

The background and the people

6. Levy Holdings was incorporated on the 9th day of April 1959 as a private company with limited liability under the Companies Act, 1948. In the early part of 1961 its issued capital was £25,000 in shares of £1 each, held as to 24,998 shares by Mr. Levy and 2 shares by a Mr. A. Voelpel.

According to the last annual return submitted to the Registrar of Companies and made up to the 18th day of August 1961 Mr. Levy was the first-named director, Mr. Voelpel and a Mr. M. Price being the other directors. (Mr. Price resigned on the 24th February 1962). The company carried on the business of ladies' outfitters and traded from a number of shops under the name of Vogue Fashion Stores. Many of its sales were effected under written credit sale agreements. These agreements were sometimes used as a means of Levy Holdings raising money for immediate requirements. For this purpose they would be assigned or pledged as security to those from whom such money was obtained.

7. The business of Levy Holdings gave the appearance of being successful and Mr. Levy was manifestly ambitious for its further development and for wider scope and reward for his abilities. He was master of the policy and activities of Levy Holdings. In the early part of 1961 he was, to use his own language in the explanation he gave to us, looking around to obtain the 'shell' of a public company into which Levy Holdings could be 'injected'. In this, so he said, he was being assisted by a Mr. Landau and a Mr. Bieber.

8. Mr. John Peter Landau, a certified accountant, is and was senior partner of the firm of Landau, Morley & Scott, Accountants, who were the accountants and auditors of Levy Holdings from the time of its incorporation until early 1962. He had been consulted by Mr. Levy on various matters during the progress of Mr. Levy's business career and his advice was sought in connection with the projected acquisition of a 'shell company' because, according to Mr. Landau, his firm had experience 'in investigation for purchase or public issue'.

9. Mr. Alfred Bieber, who was also consulted by Mr. Levy, had formerly been a solicitor. It was he who during 1961 first brought to Mr. Levy the knowledge that shares giving a controlling interest in a 'shell company', viz., Allied Produce, were available for purchase. At this time, according to Mr. Bieber, he was acting as a general business adviser to Mr. Levy in certain other transactions. This was not controverted by Mr. Levy who, however, said he assumed that Mr. Bieber was a solicitor.

10. Allied Produce is a public company. It was incorporated on the 8th July 1920 under the name of Harris (Cane) and the General Produce Company Limited but in 1922 its name was changed to the present one. At all material times its authorised capital was £995,190.10.0 of which £132,979.10.0 had been issued in the form of 'A' and 'B' Ordinary shares.

It owned three subsidiary companies, S. M. Wilmot & Company Limited, William Cary & Son Limited, and Allied Noteholders Limited.

11. Allied Produce originally manufactured and dealt in grocers' supplies and subsequently manufactured vending machines, but after April 1960 it carried on no ordinary trading, and neither did its subsidiaries. Its shares had been quoted on the London and the Bristol stock exchanges, but on the 6th April 1961 the London Stock Exchange temporarily suspended dealings in its shares. This suspension, and a similar suspension by the Bristol Stock Exchange, has continued. During the year prior to the suspension, a number of 'A' and 'B' shares had been acquired by Mr. Stekel and Mr. Kraft, which, although representing slightly less than half the equity in the company, gave a controlling interest. (See Appendix A.)

12. Mr. Edmund Stekel and Mr. Seymour Kraft were partners in their dealings in the shares of Allied Produce. They had bought those shares in the hope of a profitable re-sale of the controlling interest in what they called a 'clean shell'. It was not the first transaction of this kind that they had engaged in. (A 'clean shell' is a company with a Stock Exchange quotation or in a favourable position to obtain such quotation or its resumption, with no liabilities or none which cannot be easily discharged and where the only assets are those which are liquid or easily realisable.)

13. When Mr. Stekel and Mr. Kraft had acquired the controlling interest in Allied Produce it was not a 'clean shell'. In order to make it such they had taken steps to realise its assets and discharge its liabilities. They had not been completely successful in doing so.

14. Mr. Stekel became a director of Allied Produce on the 13th April 1960. A Mr. T. D. Keegan (from whom, and from T. D. Keegan Limited, Mr. Stekel and Mr. Kraft had acquired the shares of Allied Produce which they later sold to Mr. Levy) was a director at that date and continued as such until the 8th June 1961. Mr. Kraft was made a director on the 30th March 1961; and a Mr. F. M. Connell had been appointed on the 20th June 1960.

15. By June 1961 substantial progress had been made in realising the assets of Allied Produce and its subsidiaries. The consolidated balance sheet of the companies as at the 30th April 1960 had shown fixed assets at the figure of £34,241; but by February of the following year these had been disposed of for a sum which, according to a note on the accounts, was considerably in excess of this figure.

Substantial payments were made to creditors, including over £60,000 for bank overdraft, and in the result, according to Mr. Stekel and Mr. Kraft, the assets of Allied Produce by June 1961 consisted of £54,14.10 cash at bank, £41,000 on deposit account, two unquantified claims and debtors of some £8,174, while the liabilities stood at a little under £5,000 apart from three claims which were not quantified. S. M. Wilmot & Company Limited had £249.12.7 cash at bank and £2,000 on deposit account, and its only liability was in respect of the lease on a small storeroom.

16. Completing the liquidation of assets and discharge of liabilities would have necessitated the expenditure of time and money on litigating one of the claims and a cross-claim which was raised against it. Rather than this Mr. Stekel and Mr. Kraft preferred to sell their shares for a lower price than would otherwise have been obtainable to someone who required a 'shell' and was prepared to take it in the condition that Allied Produce then was.

17. In broadly outlining the background and identifying the principal persons involved we have eschewed burdening the narrative so far with more extensive details of various matters touched upon, which however are given later and in the appendices to this report.

A Handicap

18. Before continuing further with the story it must be said that our investigation has been hampered and delayed by our inability to obtain much relevant information from Mr. Levy himself. At the outset this was due to difficulties experienced in communicating with him; and later on, after only one interview with him, he ceased to be available at all owing to his having been admitted to hospital. Finally we received the report of a doctor, dated the 26th November 1964, to the effect that his nervous and mental condition would make it medically inexpedient for him to deal with any matters of business for a considerable time to come. Moreover on the single occasion that we saw him, which was on the 11th March 1964, the interview was of somewhat uneven tenor. It was claimed on his behalf by counsel who then accompanied him as legal adviser, that he

had never been an officer or agent of Allied Produce (into whose affairs only at that time we had been appointed to enquire) and was accordingly not a person liable to be examined on oath by us. Upon it being pointed out that even if he never had been such officer or agent he could nevertheless be asked to help in the investigation, albeit not on oath, the interview then continued but answers were refused to some of the questions addressed to him upon the ground that he was legally advised such answers might tend to incriminate him.

Although the advantage of further interviews with Mr. Levy had to be foregone if this report was not to be delayed indefinitely pending the recovery of his health, and although the course of our enquiries might be regarded in the circumstances as somewhat akin to 'Hamlet without the Prince of Denmark', it has been possible with the aid of other sources to piece together the pattern of events and to arrive at a firm conclusion upon most if not all of the more important matters which came within the scope of our investigations.

The Negotiations

19. It was some time about the end of April 1961 that Mr. Bieber brought to Mr. Levy the knowledge that Mr. Stekel and Mr. Kraft owned and were prepared to sell the controlling interest in a company, namely Allied Produce, which might suit Mr. Levy's purposes. He knew of those purposes because for some months previously he had been advising Mr. Levy upon various matters connected with business expansion. In the course of so doing he had suggested the acquisition of a Scottish company, Napier Limited, whose business would have fitted in well with that of Levy Holdings; and he also suggested that Allied Produce would be 'a useful vehicle' for amalgamating Levy Holdings and Napier Limited. Accordingly he introduced Mr. Levy to Mr. Stekel and Mr. Kraft, with whom he was acquainted, and negotiations between them ensued.

20. It appears that, within limits, there was in 1961 a recognised price for the controlling interest in a 'clean shell'. This, in the view of Mr. Landau, would have been in the neighbourhood of £15,000, apart from any value deriving from the net assets; although the extent to which a company had a balance of unissued authorised capital, and the size of the minority shareholding not comprised in the sale might also have a bearing on the price. Where a company possesses a surplus of assets exceeding its liabilities, one would expect the price to reflect also the value of the proportion of the equity represented by the shares being sold.

21. Bearing in mind the uncertainty regarding the unquantified claims by and against Allied Produce, there was obviously considerable room for manoeuvre in negotiating the price of its shares. This, however, was agreed at a meeting which took place on the night of the 6th June 1961 at Mr. Bieber's house. Then present were Mr. Levy, together with his advisers Mr. Bieber and Mr. Landau (and his assistant, a Mr. Tubbs), and Mr. Stekel and Mr. Kraft. Doubts were expressed by Mr. Landau as to whether the proposed terms of purchase were satisfactory from his client's point of view, but in the outcome, after a discussion lasting upwards of four hours in which Mr. Levy seemed to prefer the advice of Mr. Bieber, a contract was drawn up and signed. This provided that Mr. Stekel and Mr. Kraft should sell to Mr. Levy 95,519 'A' shares and 34,270 'B' shares of Allied Produce at a price of £33,500; that £29,000 of the purchase price should be paid forthwith and the balance by two bills of exchange, each for

£2,250, to be accepted by Mr. Levy for payment after three months and one renewable for a further three months; that upon written request by Mr. Levy his nominees should be appointed directors and secretaries of Allied Produce and its subsidiaries; and that the shares should be transferred to Mr. Levy's nominees. By the contract and the second schedule thereto Mr. Stekel and Mr. Kraft warranted that the assets and liabilities of Allied Produce and S. M. Wilmot & Company Limited were as there itemised. There were other incidental terms of less importance. The contract was dated the 6th June 1961 but no payment was in fact made on that date.

The Day of Completion

22. On the afternoon of the 8th June 1961 a number of persons assembled by arrangement in the office, which was a large one, of the manager of the Cocks Biddulph branch of Martins Bank Limited at 16, Whitehall, S. W.1. They were all there to play various parts in completing the contract of two days earlier. The venue was chosen, as will presently appear, because Levy Holdings maintained its bank account at that branch. The branch manager was Mr. R. A. Machell. Present were Mr. Levy, with Mr. Bieber, and Mr. Stekel and Mr. Kraft. In addition there were for a time Mrs. Berry, who was employed by Levy Holdings as personal secretary to Mr. Levy, and Mr. Alan Barron, a cousin of Mr. Levy, who was employed by that company at a modest salary as a buyer. Mr. Machell, too, was present for a period as also were others who however played no prominent part in what took place.

23. During this meeting payment was made, not of the £29,000 which had been due forthwith on the signing of the agreement, but of the whole purchase price of £33,500. The instrument of payment was a banker's draft for that sum issued by the branch of Martins Bank where the meeting was taking place and made payable to Collingwoods Securities Limited. Apparently this company was owed moneys by Mr. Stekel and Mr. Kraft, upon whose stipulation it was that the banker's draft was made so payable. During the course of the meeting Mr. Levy was put in possession of blank transfers, executed by the registered holders, in respect of the shares he was buying.

24. The process by which Mr. Levy was to obtain practical control of Allied Produce had, of course, been planned in advance of the meeting; and a number of documents in this connection had accordingly been prepared beforehand. There is a typed document signed by Mr. Stekel, bearing in his handwriting the date '8.6.61' and the statement that it is 'certified as a true copy of the original minute', which purports to be a copy of the 'Minute of Meeting of Directors of ALLIED PRODUCE COMPANY LTD., held at 1-2, Finsbury Square, London, E.C.2. on Thursday, 8th June 1961'. However, the matters there recorded were those transacted, so say both Mr. Stekel and Mr. Kraft, at the meeting which took place on that date in Mr. Machell's office. According to those minutes the first business done by the directors present, being Mr. Stekel, Mr. Kraft, Mr. Keegan and Mr. Connell, was the appointment of additional directors in the persons of Mr. Alfred Isaac Levy, Mr. Alan Barron, and Mrs. Esther Berry. Then it is recorded that Mr. Connell resigned as director and secretary of the company and that the acceptance of his resignation was to take effect at the end of the meeting; that Mrs. Berry was appointed secretary; and, finally, that Mr. Stekel and Mr. Keegan and Mr. Kraft resigned as directors

and that acceptance of their resignations was to take effect at the end of the meeting.

25. That Mr. Levy was thus appointed a director of Allied Produce, and that this was with his assent, was confirmed by Mr. Bieber, Mr. Stekel and Mr. Kraft. Moreover on the same day he signed the mandate referred to in paragraph 27 below against the description of himself as 'Managing Director' of the company; and on the 22nd June 1961 he signed the formal notification of change of directors in respect of Allied Produce, which was lodged with the Companies Registration Office of the Board of Trade, in which he was described as a director of the company appointed on the 8th of that month.

It may be true, as was contended on his behalf, that Mr. Levy's name was never entered in the register of shareholders of Allied Produce, although he was in possession of blank transfers for the shares which he had bought; but the effect of the Companies Act, 1948, section 182, is that, notwithstanding the share qualification for directorship in the company's articles of association, he was a director for the two months following the date of his appointment, after which his office of director would be vacated if he failed to hold the specified share qualification. In the light of the foregoing and of the fact, as we find, that Mr. Levy both during and after those two months solely controlled the policy of the company and such affairs as it had, there was no substance in the assertion made before us (which is referred to in paragraph 18 above) that he had never been an officer or agent of Allied Produce.

26. Mrs. Berry and Mr. Barron were required by Mr. Levy to attend at the bank on the day of completion. On arrival, after waiting until they were called upon, they did what they were instructed to do. They were told that they had been appointed directors of Allied Produce, and Mrs. Berry was informed that she had also been appointed secretary, at which she demurred and said that it was 'absolutely ridiculous' as she knew nothing about company law, but was assured by Mr. Levy that it was only temporarily. Documents were presented to them to sign, which they signed. They were, as we find, mere pawns in what was then taking place.

27. Mrs. Berry as 'Secretary' of the company signed a printed form of Martins Bank requesting that an account be opened for Allied Produce. On the back thereof Mr. Levy signed as 'Chairman' and Mrs. Berry countersigned as 'Secretary' a certificate in the usual terms that a meeting of the board of directors of Allied Produce had passed a resolution, stated to be duly recorded in the minute book, that an account be opened with Martins Bank at their Cocks Biddulph Branch and that the bank be empowered to honour instruments drawn accepted or made on behalf of the company by 'Mr. A. I. Levy, alone, as Managing Director or by any two directors'. There exist no minutes that we have been able to find of any directors' meeting at which such a resolution was passed, and certainly there is none in the company's minute book which we have seen. Mr. Levy, Mr. Barron and Mrs. Berry also placed specimen signatures upon the bank's mandate form against the description of themselves respectively as managing director, director, and director and secretary.

28. The account, straightway opened at Martins Bank in the name of Allied Produce, pursuant to the request, was presently put in funds to the extent

of £41,886.5.5. This sum was the amount held on that day by Collingwoods Securities Limited for Allied Produce, and represented the deposit account of £41,000 referred to in paragraph 15 and which appeared as an item in the second schedule referred to in paragraph 21 above, with interest thereon. By reason of arrangements previously made it was available in the form of a draft for that amount issued on that day by the Anglo-Israel Bank and paid for by Collingwoods Securities. It was with this draft that the new account of Allied Produce with Martins Bank was put in credit.

29. A cheque was drawn upon this new account in favour of Levy Holdings for the sum of £41,800. It has not been possible to have the actual cheque produced in order to see by whom it was signed. Mr. Machell thought, but was not sure, that it was signed by two of the three persons whose specimen signatures were on the bank's mandate form. Mrs. Berry had 'a vague feeling' that she signed a cheque for 'a large figure'. Mr. Barron had no recollection of signing a cheque. By whomsoever of the new directors this cheque was signed, it effected the transfer of £41,800 from Allied Produce to Levy Holdings and was an exercise by Mr. Levy of the control of the assets of Allied Produce which by this stage had passed from the vendors, Mr. Stekel and Mr. Kraft, in virtue of the reconstruction of the board of directors which had taken place. (A further cheque was drawn on an account similarly opened in the name of S. M. Wilnot & Co. Ltd. in favour of Levy Holdings for the sum of £2,000.)

30. The records of the bank show that at the commencement of business on the 8th June the account of Levy Holdings was overdrawn by £4,624.19.2. This was in excess of its limit. They also show that there were two principal operations on the account during that day: one being receipt of the two credits totalling £43,800 and the other being a payment of £33,500. This debit, we were informed by Mr. Machell, represented payment by Levy Holdings for a draft issued that day for that amount in favour of Collingwoods Securities Ltd. The draft for £33,500 was issued in compliance with written instructions, which we have seen, given by Mr. Levy; and it was the instrument by which, as mentioned in paragraph 23 above, Mr. Levy paid for the Allied Produce shares.

31. Looking at it from the bank's point of view, it seems likely that the draft was not issued to the debit of the Levy Holdings account until the latter had been put in funds by receipt of the cheque in its favour on the Allied Produce account which had been newly opened and put in credit by the Anglo-Israel Bank draft for £41,886.5.5.

This sequence of events would involve that the vendors had already parted with control of the assets of Allied Produce to Mr. Levy and his nominees before receiving payment of their purchase price in the form of the £33,500 draft. But on the other hand, from the vendors' viewpoint, elementary business prudence would seemingly have dictated that in the ordinary course they should not part with the control of the company and its assets before receiving their purchase price or such part of it as had been agreed to be paid forthwith.

32. Whatever the course actually adopted on the 8th June 1961, however, it was clearly one which made possible the transfer of substantially all the funds of Allied Produce to Levy Holdings so that the latter would have the means to make payment for the banker's draft used by Mr. Levy to pay for the Allied Produce shares. On the face of it, subject to explanation, this bore the marks of

a breach of the prohibition contained in section 54 (1) of the Companies Act, 1948, against direct or indirect financial assistance by a company for the purpose of or in connection with a purchase of its shares. Any explanations forthcoming would require to be considered not only for the purpose of determining whether there had been such breach but, if so, by whom it had been engineered.

The Explanations

(i) *Mr. Bieber*

33. Mr. Bieber, who we are satisfied had a comprehensive knowledge of what occurred, told us that about the beginning of 1961 he explained to Mr. Levy the effect of section 54 of the Companies Act, 1948. This happened when Mr. Levy 'first expressed the desire to buy a shell public company'. Mr. Bieber averred that some time subsequently but still in the first quarter of 1961 Mr. Levy said that he was owed about £50,000 by Levy Holdings and that 'all of his cash had gone into that company and was now in the form of credit sale agreements, which he was having great difficulty in discounting'. Later, when the purchase of those shares was being considered, Mr. Bieber participated in discussions with Mr. Levy 'as to how he could get the cash to buy the shares'. Mr. Bieber informed us that he then 'expressed the view' that there would be no breach of section 54 if Levy Holdings obtained a loan from Allied Produce on the security of credit sale agreements, and if the money thus received from Allied Produce were used by Levy Holdings to repay such amount of the £50,000 he had been told was owing to Mr. Levy as would enable him to pay for the Allied Produce shares. This, said Mr. Bieber, was what eventually took place on the 8th June 1961. According to him the cheque for £41,800 then drawn on the new account of Allied Produce in favour of Levy Holdings was by way of loan; the security being the pledge of credit sale agreements by a document which Mr. Bieber thought he had probably drafted himself; and the payment out of the Levy Holdings account, thereby made possible, of £33,500 for the draft in favour of Collingwoods Securities, by which draft the purchase price of the Allied Produce shares was discharged, represented repayment of money which Levy Holdings owed Mr. Levy.

34. It was Mr. Bieber's contention, and the basis of the view that he said he had expressed to Mr. Levy, that if a sum of money was owed by Levy Holdings to Mr. Levy there was no infringement of section 54 (1) of the Companies Act, 1948, if the loan, on security, by Allied Produce to Levy Holdings had been sanctioned by the directors of Allied Produce on its own merits and not for the purpose of enabling Levy Holdings to repay £33,500 to Mr. Levy so that he could thus have the immediate means of paying for the Allied Produce shares, but it was quite apparent to us that he had fully appreciated that a breach of section 54 would be involved if there were no such sum owing to Mr. Levy by Levy Holdings and the loan by Allied Produce to Levy Holdings were made to enable the latter to lend Mr. Levy money with which to pay for Allied Produce shares.

35. In our view there was never at any relevant time any debt owed by Levy Holdings to Mr. Levy which even approached the sum of £33,500. The audited accounts of Levy Holdings for the year ending the 8th April 1960 show that the company then owed Mr. Levy £4,146; and those for the year ending the 8th April 1961 show that this indebtedness had by then been reduced to £1,509.

We find it difficult to accept that Mr. Bieber was ever told by Mr. Levy, or that he ever thought, either in the first or the second quarter of 1961, that Levy Holdings owed £50,000 to Mr. Levy.

36. Furthermore in our view the decision to lend money of Allied Produce to Levy Holdings was made for the express purpose of enabling £33,500 to be passed over by Levy Holdings to Mr. Levy in order that he could pay that sum for the Allied Produce shares. Having interviewed Mrs. Berry and Mr. Barron we are completely satisfied that they played no part in the making of that decision, that they never knew of any loan to Levy Holdings either before or after it was made and were never called upon to consider the matter, despite the evidence of Mr. Bieber to the contrary and to the effect that they had prepared documents in connection with it and he himself had drafted an agenda for a directors' meeting at which it was to be considered. The decision was that of Mr. Levy. He was able to implement it as a result of the appointment of himself and his puppet nominees as directors of Allied Produce. Mr. Bieber's involvement in the making of that decision is not open to doubt upon our findings above and his admission to us that as a result of his having discussed with Mr. Levy how the money to pay for the Allied Produce shares could be obtained it was decided to adopt the procedure whereby money originally with Allied Produce should finish up with Mr. Stekel and Mr. Kraft. His complete cognisance of the plan in detail emerges from the following account which he gave before us:

MR. CAPLAN: 'Will you tell me what the directors were required to consider, and by whom they were required to consider the matter of a loan to Levy Holdings ?

MR. BIEBER: Mr. Levy required it, and not only did he require it, but the individual directors must have known about it because they prepared these documents.

Q. So that Mr. Levy required it and you knew that Mr. Levy required it and drafted an agenda on the footing that the directors should consider a loan which would result ?

A. in the company being in sufficient funds to repay part of Mr. Levy's loan.

Q. Which you knew Mr. Levy had to have in order to pay for the shares ?

A. Which I knew that Mr. Levy required in order to put him in funds to pay for the shares.

I certainly considered and intimated that this was a matter which the directors must consider.

Q. Because Mr. Levy wanted them to do so ?

A. Mr. Levy certainly wanted the directors to do so.

Q. And you knew that he wanted them to do so because you discussed it with him ?

A. Yes.

- Q. Will you tell me this: if Mr. Levy was not confident before ever he bought the shares of Allied Produce that the directors he put there would lend money to Levy Holdings, how was he going to pay for the shares?
- A. If the directors had not agreed to it, then the transaction could never have gone through.
- Q. So Mr. Levy had put himself under contract to acquire the shares which he could only pay for if, after signing the contract, certain people were going to make a certain loan?
- A. No.
- Q. What?
- A. If Levy Holdings were able to repay part of the money due to him.
- Q. Which they could not, unless certain people (namely the people who were going to be directors of Allied Produce) made a loan?
- A. Yes.
- He had probably discussed it with them before he entered into the contract.
- Q. So that he knew and they knew that he could not buy the shares unless when they were directors they authorised this loan from the company's funds?
- A. That is probably so.
- Q. And you knew it too?
- A. I knew that he was unable to pay for the shares without receiving some money back from Levy Holdings.

(ii) *Mr. Levy*

37. Mr. Levy's evidence was perhaps more revealing by virtue of what he was not prepared to say than by what he did say. The only occasion on which we saw him was at the commencement of our investigation when information at our disposal was still scanty. Indeed little was then known beyond the terms of the written agreement for the purchase of the shares, and the fact that Allied Produce appeared no longer to be in possession of the liquid assets which by that agreement it was warranted to have at the time of the purchase. It was not even known whether the warranty had been broken by such assets not being in fact possessed by the company at the date of completion. Our enquiries of Mr. Levy principally concerned the situation regarding the item 'Deposit Account: £41,000' which figured in the assets of Allied Produce according to the second schedule of the agreement. In the light of subsequent information this fortunately was a crucial matter.

38. The attitude of Mr. Levy was remarkable, bearing in mind that it later emerged that it was by means of the money from that deposit account that he

paid for the Allied Produce shares and without it would not have been able to do so. But asked whether he was satisfied that the £41,000 actually had been a deposit to the credit of Allied Produce as warranted in the agreement, he said 'I would not be surprised if one of the items such as the deposit account was not in fact there'. Asked if he had ever been concerned with the whereabouts of the £41,000, he said, 'I must have been concerned at the time, but Mr. Landau dealt with this for me in the same way that he dealt with thousands of pounds of my own company'. Asked if there ever came a time when he wanted to use the £41,000, he said, 'There may have been but this was done by Mr. Landau and Mr. Bieber'. Asked if he had ever enquired of Mr. Bieber where the £41,000 was, he said, 'I should imagine so, but I cannot remember'. Asked whether in the latter part of 1961 he thought the £41,000 was still there, he said, 'I cannot remember that'. Mr. Levy told us that in May 1962 he had paid some £600 or £700 out of his own pocket in order to stave off a winding-up petition against the company for non-payment of debt; asked if he enquired of Mr. Bieber whether the debt could not be paid out of the £41,000, he said, 'I may have done. I do not remember that'.

39. Mr. Levy's memory was not uniformly bad. Indeed it was quite detailed upon many matters introduced by him into some of his replies which had the effect of evading rather than answering what he had been asked. We cannot give credence to Mr. Levy's professions of uncertainty concerning what happened to the funds of Allied Produce, without which, we are satisfied, he could not have paid for its shares. The whole manner and content of his evidence were eloquent of a desire to conceal that which he thought had better not be revealed and to attribute to others complete responsibility should revelation occur.

(iii) *Mrs. Berry and Mr. Barron*

40. Mrs. Berry and Mr. Barron could give us no assistance about what transpired in Mr. Machell's office except that, having been informed that they had been appointed directors and Mrs. Berry that she had been appointed secretary, they both signed documents of one sort or another without paying much attention to what they were or knowing more than that they had to do with a banking account. In addition Mr. Barron recollected that while present he overheard some argument of which all he could gather was that it related to a sum of £60. Neither of them took part in any directors' meeting nor was aware of the real nature of what was occurring other than that it was connected with Mr. Levy's acquisition of Allied Produce.

In our view, though their unthinking compliance may be open to criticism, they are to be absolved from anything more than formal responsibility for allowing themselves to be used to do that which was wanted by the person whom they regarded as really their employer, namely Mr. Levy.

(iv) *Mr. Stekel and Mr. Kraft*

41. The exact happenings of the 8th June 1961 had impressed themselves more on the recollection of Mr. Stekel than of Mr. Kraft. He told us that the reason why £33,500 and not £29,000 was paid on that day was because, having ascertained after the meeting which took place two days previously that it would be comparatively expensive to discount the two bills of exchange for £2,250 which Mr. Levy was to have accepted pursuant to agreement, Mr. Levy had discussed this with him and it had been decided that Mr. Levy would pay the

whole purchase price on completion and would himself get his acceptance discounted but receive from Mr. Stekel and Mr. Kraft the costs of doing so, or a contribution thereto.

42. Mr. Stekel and Mr. Kraft arrived at Mr. Machell's office to find Mr. Levy and Mr. Bieber already there. After a heated discussion concerning the sum Mr. Levy was to receive in respect of the cost of discounting his two acceptances, it was agreed that he should be paid £60. (Later on that day Mr. Levy sent by hand to Mr. Stekel and Mr. Kraft a letter, which we have seen, containing *inter alia* the request that they should forward to Mr. Bieber as agreed their contribution of '£60 on account of the discounting charges'). This preliminary having been disposed of, completion could then proceed. So far as the vendors were concerned they were to receive a draft for £33,500 and in exchange were to pass to Mr. Levy share certificates and blank transfers for the shares being sold; and in addition they had to procure that Mr. Levy and his nominees were put in office as directors of Allied Produce and make available that company's liquid assets in the acceptably secure form of a banker's draft for £41,886.5.5. (and, incidentally, one for £2,049.0.4. in respect of the liquid assets of one of its subsidiaries).

43. Mr. Stekel and Mr. Kraft had brought along the share certificates and blank transfers. A representative of the Anglo-Israel Bank attended bringing the drafts for £41,886.5.5 and £2,049.0.4. To put Mr. Levy and his nominees in office as directors of Allied Produce required a meeting of the existing directors. This, said Mr. Stekel, had been intended to take place that day at 1-2, Finsbury Square, E.C.2., and draft minutes had been prepared in typescript on that footing; but the meeting which passed the resolutions in accordance with the draft minutes actually took place, however, in Mr. Machell's office. Those draft minutes, signed by Mr. Stekel as a true record of business transacted, were inaccurate as to the venue of the meeting and also in recording that Mr. Keegan was present but, so we were told, were otherwise correct.

They recorded the appointment of Mr. Levy and of Mr. Barron and Mrs. Berry as directors and the resignation of the previous directors which was expressed to take effect at the end of the meeting. Whether or not this is a correct account of the manner in which control passed from the old to the new directors, we are quite satisfied that as between all the parties the moment at which control was regarded operatively to have passed was when this purported minute, signed by Mr. Stekel, was handed over. The completion was, accordingly, to be by an exchange of this piece of paper, along with the share certificates, blank transfers and drafts on the Anglo-Israel Bank, in return for a draft for the purchase price.

44. In answer to close questioning we were given to understand that the handing over of the documents referred to above was substantially contemporaneous with the vendors receiving the draft for £33,500 and that, although the exact sequence and timing could no longer be recalled, certainly if the vendors did not receive this draft before or exactly at the instant of transferring their documents they received it only a matter of moments after such transfer.

45. We accept all this. Mr. Stekel and Mr. Kraft had met Mr. Levy for the first time at the meeting two days earlier. They had recently been called upon

to give evidence relevant to section 54 of the Companies Act, 1948, before other inspectors appointed by the Board of Trade, as to their transactions in the shares of another company. They did not impress us as likely to have been either so trusting in regard to Mr. Levy or so foolish in regard to section 54 as to have given Mr. Levy control of the Allied Produce moneys for any material time before he paid them. But it follows from their version that previous to their receiving the draft for £33,500 and handing over the two Anglo-Israel Bank drafts, the new account of Allied Produce had already been opened and the cheque drawn upon it in favour of Levy Holdings. Mr. Stekel and Mr. Kraft claimed that, although they knew that the others in Mr. Machell's large office were engaged in various matters related to Mr. Levy's acquisition of Allied Produce, they knew nothing of the cheque drawn on its new account in favour of Levy Holdings, or even that a new account had already been opened. We have had some difficulty in accepting this, but it is not necessary for us to make an express finding on the matter.

We are satisfied, however, that the draft for £33,500 which they received was not made out in their presence but before they arrived; for otherwise the agreement to pay £60 towards Mr. Levy's discounting expenses, which was the first matter dealt with at the meeting, would have been implemented by the draft being made out for that much less.

46. At some stage of the proceedings, according both to Mr. Stekel and Mr. Kraft, an enquiry was addressed by the former to Mr. Machell as to the source of the purchase money they were being paid. The exact form of the question could no longer be recalled but its effect was to ask either whether the draft for £33,500 was being paid for out of the Allied Produce money or whether the Allied Produce money was being used for the purchase of the shares. Mr. Machell answered, again according to Mr. Stekel and Mr. Kraft, that it was not. This answer in our view would have been technically correct if the form of the question was to the first effect, for strictly speaking the draft was being paid for out of money of Levy Holdings, albeit that such money had derived from Allied Produce; but it would have been incorrect if the form of the question was to the second effect. We accept that some such question was asked and answer given and we prefer to think that it was understood by Mr. Machell in the first and not the second sense. The reason for the question being asked at all, so we were told, was that Mr. Stekel and Mr. Kraft were mindful of the provisions of section 54 of the Companies Act, 1948, by reason of their recent experience of being questioned in connection with another company. We believe that, whether or not they suspected that some infringement of the section was taking place, they sought assurance that there was nothing so blatant as the £33,500 draft being paid for directly by Allied Produce.

(v) *Mr. Machell*

47. Mr. Machell told us that he was only intermittently present in his office on the afternoon of the 8th June 1961 when the events already described were taking place; that he had not previously known any of the persons then attending, except Mr. Levy, who introduced him only to Mr. Bieber; and that he gave his attention principally to the matters with which he felt himself directly concerned. In the main these were the opening of an account for Allied Produce at his branch, and the issue against payment from the account of Levy Holdings of a

bank draft for £33,500 in favour of Collingwoods Securities Limited. These matters he attended to, so he told us, in that order.

He was given the printed bank form, referred to in paragraph 27 above which in his presence had been signed on the back and front as there stated, relating to the opening of an account for Allied Produce. He required confirmation of the resignations and appointments of directors and was given the document described in paragraph 24 above. He told us that the new account was opened and put in credit with the draft for £41,886.5.5, and was drawn upon by the cheque for £41,800 in favour of Levy Holdings. He was informed, so he told us, that this cheque was given for the purpose of Allied Produce financing Levy Holdings on the security of a pledge by the latter to the former of credit sale agreements; and he was further informed by Mr. Levy and Mr. Bieber that these agreements had adequate value and were properly charged.

According to his evidence, after the cheque for £41,800 was placed to the credit of the Levy Holdings account, which up to that point had been overdrawn, there was then issued to the debit of that account (pursuant to written instructions signed by Mr. Levy on behalf of Levy Holdings) the bank draft for £33,500 in favour of Collingwoods Securities Limited. This draft, so Mr. Machell says he was informed by Mr. Levy, was to pay off a finance house with which credit sale agreements of Levy Holdings had been previously pledged for finance on disadvantageous terms.

48. Mr. Machell told us that he could not recollect holding any converse with Mr. Stekel or Mr. Kraft but that, being aware that Allied Produce was a public company of which control had just been acquired by Mr. Levy and having in mind section 54 of the Companies Act, 1948, he enquired of Mr. Levy and Mr. Bieber 'if they had in any way contravened section 54'. This enquiry was, he told us, 'a precaution to see that Mr. Levy was fully acquainted with the position . . . that he knew exactly what he was doing and that he did not infringe section 54'; and in answer Mr. Bieber, who was understood by Mr. Machell to be a solicitor (although there was no certainty that he was specifically introduced as such), confirmed that everything was in order as also did someone else present whom Mr. Machell could not identify to us. Mr. Machell told us that he asked if he could have this confirmation in writing, which was promised to him and which he received a week later in the form of a letter from Mr. Bieber dated the 15th June 1961 containing the sentence: 'I can confirm to you that there is no infringement whatsoever of section 54 of the Companies Act, 1948'. Mr. Machell gave evidence before us that, as this was the matter upon which he had sought assurance, he did not pay sufficient attention to the remainder of the letter to perceive that it contained information at variance (as he conceded when we drew his attention to it) with his version to us of what he had earlier been told.

49. We are unable to accept Mr. Machell's evidence in its entirety. We think that he parted with the draft for £33,500 only against the draft on the Anglo-Israel Bank for £41,886.5.5 and the minutes signed by Mr. Stekel which recorded the resignations and appointments of directors; and that conversely Mr. Stekel and Mr. Kraft parted with those documents only against the draft for £33,500. This contemporary exchange involved no risk to the bank if, as we believe to be the case, Mr. Machell was already in possession of the cheque for £41,800 drawn on the Allied Produce account in favour of Levy Holdings. But for

this to have happened it follows that the opening of the Allied Produce account, the drawing of the cheque upon it for £41,800, and the handing over of that cheque to Mr. Machell, must all have preceded his receiving the minutes and the draft on the Anglo-Israel Bank which presently put the account in funds.

50. We think also that whatever Mr. Machell had heard about repayment to a finance house being in some way involved, and whatever assurances were given to him, he nonetheless recognised the likelihood that section 54 was being infringed. In spite of this, however, he was casual and incautious in regard to what was happening in his office and failed to insist upon the proper sequence being observed regarding the matters with which he was concerned. His misgivings that this laxity on his part might have facilitated, as it did, a breach of section 54 were in our view the reason both for his efforts to obtain written confirmation that there had been no such breach and for the less satisfactory features of the evidence he gave before us.

(vi) *Mr. Landau*

51. There is no doubt that Mr. Landau had been a close adviser of Mr. Levy and was consulted by him on some aspects of his proposed purchase of Allied Produce shares. But Mr. Landau denied that he had any connection with or knowledge of the use which was made of Allied Produce money to finance the purchase of its shares. According to Mr. Landau he began to disassociate himself from Mr. Levy when he discovered that Mr. Bieber appeared to be the preferred adviser. He says he took little part in the meeting on the night of the 6th June 1961, contenting himself with doubting whether the purchase then under discussion was satisfactory from the viewpoint of Mr. Levy, and getting rather 'shouted down' (as he said) by Mr. Stekel for his pains. Mr. Landau also told us that he was not asked to advise as to whether any transaction connected with payment for the shares might contravene the Companies Act, 1948, section 54. All of this we accept. He further told us that he heard and knew nothing of the precise use that was going to be made of the money belonging to Allied Produce. At this point our belief is less confident. He gave us the curious information that he had 'had the feeling' that Mr. Bieber was going to suggest to Mr. Levy, if he had not previously done so, that 'the excess funds in Allied Produce could be used for financing at a proper rate the development of the credit book debts'. And when asked whether there had been any discussion as to how Mr. Levy was to pay £33,500, he told us that there may have been but he could not recall it 'at the time my mind was not mentally attuned to it'.

We think the truth is that Mr. Landau, dismayed at the association between Mr. Levy and Mr. Bieber, disliking intensely a project against which he had advised and feeling that something might be afoot with which he would rather not be concerned, shunned paying attention to anything he heard which would have put a man of his experience on notice of what was about to be or had been done.

Later in the year 1961 he intimated to Mr. Levy that their connection was being severed; but this was not before he had consented and understood himself to be temporarily a director of Allied Produce but nevertheless had made not the slightest enquiry or taken the slightest interest regarding what had been done with the liquid assets which he understood the company to have had when his client took over its control.

The Secured Loan

52. The propriety of the payment of £41,800 by Allied Produce to Levy Holdings falls also to be considered from another aspect. A director of a company is under obligation to act honestly and with an appropriate degree of diligence and care in respect of any application or investment of the company's money with which he is concerned. It is in this connection that the circumstances in which that payment was made require further examination.

According to Mr. Bieber the transaction was one of loan on the security of credit sale agreements. He told us that there was 'a loan document' which was 'in the normal form of a charge whereupon they [Levy Holdings] undertook, as agents for Allied Produce, to apply the proceeds of those various credit sale agreements towards a reduction of their liability to Allied Produce'. Mr. Bieber told us that probably he had drafted the document himself, that if so he was acting for Levy and not Allied Produce but that it had been approved by a solicitor who was looking after the interests of Allied Produce. Having seen the solicitor mentioned we are quite satisfied that he never saw or knew anything about any such document.

Mr. Bieber also told us that in the ordinary course of events in such a transaction the security given would involve that the credit sale agreements would be handed over, but that the moneys paid under them would continue to come into Levy Holdings and were 'supposed to be, as they came in, paid to Allied Produce'. The credit sale agreements, which at one interview he told us in terms he had never seen but at another that they had been shown to him together with a two-volume index in which they were all listed, were not handed over 'because Allied Produce and Levy Holdings were both carried on from Great Portland Street. The same personnel were operating for both companies'. Nor was there independent custody by Allied Produce of the document of charge, for 'the borrower and the lender both became embodied in one individual, Mr. Levy'. Asked if this situation did not make it possible that, should Allied Produce go into liquidation and it be disadvantageous to Mr. Levy for it to make a claim based on its security against Levy Holdings, Mr. Levy might be able to prevent that claim from coming to light, he answered 'From what I now know of Mr. Levy I am quite certain he would have done it'.

53. At the beginning of January 1962 a Mr. William Brown entered the employment of Levy Holdings as an accountant. During his employment, which lasted until the end of July that year, he had occasion to draw up statements of the assets and liabilities of Levy Holdings on information supplied to him by Mr. Levy and Mr. Voelpel (another director of the company). Among the assets listed were credit sale agreements, which were given a bulk valuation. They were not indicated to be charged or in any way encumbered. There did not appear among the liabilities any sum owing from Levy Holdings to Allied Produce. In telling us this, Mr. Brown also said that if there had been any loan by Allied Produce to Levy Holdings on the security of credit sale agreements with an obligation for Levy Holdings to pay over to Allied Produce sums which it received under such agreements, these were matters which ought to have figured in his statements. None of them did because he knew nothing about any of them.

54. Mr. Voelpel gave evidence, which we accept, confirming what we were told by Mr. Brown. Although Mr. Voelpel had been a director of Levy Holdings

for over two years he had not during that time been asked to attend any directors' meeting and never saw the minutes of any meeting, except possibly that which recorded his resignation. On the occasion when the statement of assets and liabilities was drawn up, he provided the total figure relating to credit sale agreements. This total figure covered all the credit sale agreements which had been entered into with Levy Holdings upon which there were payments still outstanding, and he was not asked to differentiate between agreements which were the property of the company and any which were not. He had never heard, and had no knowledge, of any money recovered by Levy Holdings under credit sales agreements being transferred to Allied Produce.

55. Payments by Levy Holdings to Allied Produce have not been revealed by our investigations, whether from moneys collected under the sales agreements or otherwise. We do not think that there were any, or that any attempt has ever been made to obtain such payments.

56. We are satisfied that no consideration, independent or otherwise, was given to the interests of Allied Produce in the transaction in which £41,800 of its money was paid to Levy Holdings. Mr. Levy, the only one of the directors who had knowledge of what form that transaction took, simply drained the company of its assets in order to achieve his own purposes. Thereafter he further neglected the interests of Allied Produce, in favour of Levy Holdings and himself as the owner of substantially all its shares, in regard to enforcement of any terms of repayment or security therefor. And it is open to question whether this did not accord with his intention from the outset.

The Aftermath

57. The aspirations entertained during the summer of 1961 that Allied Produce should be a vehicle for amalgamating Napier Limited and Levy Holdings came to naught.

A receiving order in bankruptcy was made against Mr. Levy on the 15th November 1962.

A petition for the compulsory winding-up of Levy Holdings is at present before the Court and has been the subject of protracted hearings and numerous adjournments.

Allied Produce and its subsidiaries, since being stripped of their assets, have engaged in no activities. After June 1961 they have in effect been treated by Mr. Levy, so far as concerns administration, as if they did not exist. Although he had acquired certificates and blank transfers of shares representing a controlling interest in the company and he and his nominees had been appointed its directors, neither he nor those nominees appear to have been registered in respect of the appropriate share qualification. No directors' meetings have been held and no annual general meetings. No books of account have been maintained and no annual accounts prepared. Nor have any annual returns been made.

According to the evidence before us, the register of members has not been kept, despite receipt of share certificates and share transfers from shareholders; and correspondence in connection therewith from such shareholders, addressed to the registered office in Bristol and forwarded by the Post Office to Levy Holdings at Great Portland Street, W.1., initially produced only replies intimating that attention would be given, and eventually only silence. In short, for the above is by no means an exhaustive account of the failure by Allied Produce

to comply with the requirements of the Companies Act, 1948, there has been an almost complete disregard by and in respect of the company of all obligations imposed by that Act.

Conclusions

58. Allied Produce contravened section 54 of the Companies Act, 1948, by giving financial assistance, channelled through Levy Holdings, for the purpose of or in connection with the purchase by Mr. Levy of a substantial part of its shares.

59. Mr. Levy, as an officer of Allied Produce at the relevant time, was in default, under the same section of the Act, by reason of the dominance he exercised as such over the affairs of the company in relation to the provision of that financial assistance.

60. These breaches of the Act were concerted between Mr. Levy and Mr. Bieber, with the assistance of Levy Holdings as the conduit for the financial assistance to be passed from Allied Produce to Mr. Levy.

61. Allied Produce, from July 1961 onwards, did not comply with the requirements of the Companies Act, 1948, concerning, *inter alia*,

- (i) holding of annual general meetings;
- (ii) preparation of profit and loss accounts, balance sheets and group accounts;
- (iii) statutory returns;

and according to the evidence, although we have been unable to see the relevant books, the register of members, register of directors and secretary, and proper books of account have apparently not been maintained.

62. Mr. Levy, as a director of Allied Produce concerned with the application or investment of £41,800 of that company's money failed to exercise the degree of diligence and care required of him to safeguard its interests, even assuming his honesty in the transaction.

63. We recommend that steps be taken, under the powers given to the Board of Trade by the Companies Act, 1948, section 169(3), for Allied Produce to be compulsorily wound up so that the only substantial asset of the company, which is the claim against Levy Holdings and Mr. Levy in connection with the loan of £41,800, can be realised by the Liquidator for the shareholders' benefit.

(Signed) LEONARD CAPLAN

ALAN P. HUGHES

20th August, 1965.

Appendix A

ALLIED PRODUCE COMPANY LIMITED

Issued share capital of Allied Produce Company Limited and voting power attached thereto

	<i>Voting power</i>	<i>Nominal amount</i>	<i>Number of votes</i>
218,632 'A' shares of 10/- each.	1 Vote for every 4 shares	109,316. 0.0	54,658
47,327 'B' shares of 10/- each.	1 Vote per share	23,663.10.0	47,327
<u>265,959</u>		<u>£132,979.10.0</u>	<u>101,985</u>

Shares Sold by Messrs. Stekel and Kraft to Mr. A. I. Levy.

95,519 'A' Shares of 10/- each.	47,759.10.0	23,879
34,270 'B' Shares of 10/- each.	17,135. 0.0	34,270
<u>129,789</u>	<u>£64,894.10.0</u>	<u>58,149</u>
	Percentage of total <u>48.8%</u>	<u>57.0%</u>

Appendix B

ALLIED PRODUCE COMPANY LIMITED

Summary of Bank Accounts

A. I. LEVY (HOLDINGS) LTD.

ALLIED PRODUCE COMPANY LIMITED

	Westminster Bank Ltd.		Collingwoods Securities Ltd.		Martins Bank Ltd.		Martins Bank Ltd.	
	In	Out	In	Out	In	Out	In	Out
Sundry receipts (from realisation assets, etc.) less payments made, prior to 6.6.61.	41,072							
Transfers (net), prior to 6.6.61.		41,000	41,000					
Interest earned thereon.			886					
Transfer on 8.6.61 (by Banker's draft).				41,886	41,886			
Transfer on 8.6.61 (by cheque to A. I. Levy (Holdings) Ltd.)							41,800	
Cost of Banker's draft (in favour of Collingwoods Securities Ltd.) handed to Messrs. Stekel and Kraft.								33,500
Balances (in hand) at 9.6.61.	£72					£86	£6,041	
do. at date of our Report.	NIL					£86	£828 (Overdrawn)	

- Notes: 1. This summary is limited to the transactions on the various bank accounts as regards the sum of £41,000 etc., dealt with in our report.
2. At the commencement of business on the account of A. I. Levy (Holdings) Ltd. on the 8th June 1961 there was an overdraft of £4,625. This figure, after the day's transactions, was converted to a balance of cash at bank amounting to £6,041, as shown above.

ALLIED PRODUCE COMPANY LIMITED

Summaries of the Net Assets of the Group

	A At 30th April 1960 £	B At 6th June 1961 £	C At date of this report. £
Fixed assets	34,241	—	—
Current assets etc.	110,563	51,478	50,060 (See Note 3)
	144,804	51,478	50,060
Less: Current liabilities.	148,313	4,914	4,914 (See Note 3)
TOTAL NET WORTH (at book value).	(Deficit) £3,509	(Surplus) £46,564	(Surplus) £45,146

- 23
- Notes: 1. Column A—prepared from audited consolidated balance sheet.
 " B— " purchase agreement between Mr. Levy and Messrs. Stekel and Kraft.
 " C— " information available.
2. The transition of the deficit amounting to £3,509 at 30th April 1960 into a surplus of £46,564 at 6th June 1961 was due mainly to the sale in September 1960 of the Company's factory in Bristol, the book value of which is included under fixed assets, for a sum considerably in excess of that book value.
3. Current assets under column C consist of the following:
- | | |
|--|----------------|
| Claim against A. I. Levy (Holdings) Ltd. (for repayment of loan). | 41,800 |
| Cash at Martins Bank Ltd. | 86 |
| Debtors (as detailed in purchase agreement mentioned above and not apparently received since). | 8,174 |
| | <u>£50,060</u> |

- Current liabilities are also as detailed in the purchase agreement and have not apparently been settled since the date thereof.
4. Only those items capable of being quantified have been included above. All unquantified items and claims have been ignored. The subsidiary companies may have minor cash balances.